

Unified Payment Interface- A Study of Opportunity and challenges in India

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In financial division, the digital conversion is a massive revolution. Now days the financial sector is shifting to virtual mode from paper currency mode. In India after pandemic COVID 19, there is drastic change seen in the payment system and customers may prefer to pay through UPI. UPI is an online payment system which is an application of smart phone that merging a number of banking features, merchant payments, and seamless fund routing into one top. UPI allows its users to transfer money between one bank account to other bank accounts. Unified Payment Interface is a single-window payment system and it is developed by the NPCI. The present study focused on the growth, opportunity and challenges faced by Unified Payment Interface in India. The study is based on secondary data which is collected from different sources. the statistical tools are applied to know the growth of UPI in India.

Key words: UPI, opportunity, challenge, growth

Introduction:

Unified Payments Interface (UPI) is a concurrent payment system. It is intended to facilitate peer-to-peer inter-bank money transfers by single two click factor confirmation procedure. It is regulated by the Central Bank of India (RBI). The unified Payment Interface is secure and safe method of payment and it reduce the need to put and transact with hard cash. This system of payment was launched in India on 11th April 2016. UPI uses the existing systems of money transaction like as Aadhaar Enabled Payment System (AEPS), and Immediate Payment Service (IMPS), to make sure the faultless settlement across the different bank accounts. It facilitates the transactions like pay and receives and also supports the barcode payments system as well as for multiple persistent payments for example, schools fees, utility bills, and other payments. By the use of Unified Payment Interface, one can send money on a phone number which is registered in a bank account. The money can also be transfer into a bank account directly by using IFSC code and bank account number.

Literature review:

Dr. M.F. De Souza and M.M.S. Cuncolienar (2023) found in their study that the middle income class of the society is more prone use unified payment interface for transaction related to fund. They also reveal that UPI is trendy thing for financial transaction in the digital era. They found in the study that females are more using the UPI for financial transaction compare to the male candidate. The study reveals that the people of diverse occupations prefer to make financial transaction using UPI. The young generation is more inclined to use UPI for digital financial transaction.

According to Verma B et. Al (2024), the impact of Unified Payment Interface (UPI) is extended afar from the financial transaction of individual, it transform the banking segment, empowered undersized businesses and accelerate the growth of nation along with financial sectors in India. They also found in their study that in UPI, continuous innovation enhances its convenience and versatility. The expansions of UPI across the national boundary represent its potential in the global markets. They also found in the study that the definite challenges need addressing for continued growth in UPI. Tough security related to data measurement, and authoritarian frameworks are very essential to address the privacy of user concerns. They also reveals that there is need for bridging the digital divide and ensuring the access internet in the rural areas are very important for inclusive financial inclusion. As per them, encouragement of healthy competition in the UPI ecosystem and mitigating the share of market, the concentration is vital for user benefit and fair pricing.

Baliyan D. and Singh N (2023) examines in their study that U.P.I. has revolutionized the online payment industry in country. They told that, UPI offers a faultless and safe and sound payment practice; make it a admired payment alternative for individuals as well as businesses alike. The rate adaption and usage of U.P.I. have been growing rapidly, which indicates far above the ground level of acceptance and confidence among its users, etc., weight the UPI potential in the digital financial transaction industry. The study has also shown that U.P.I. is playing a major role in the vision of a cashless economy in India.

Objectives of Study:

1. To find out the growth of UPI in India
2. To know the opportunity of UPI in India
3. To find out the challenges in the way of UPI in India

Research Methodology:

The present research is based on secondary data which is collected from different secondary sources like research papers, Government publications, news papers, magazines, books etc. descriptive research method is used in this present research.

Growth of UPI:

It has been seen that after COVID 19, the demand of Unified Payment Interface (UPI) increases rapidly in India for making transactions especially in retail business. It helps the economy to become cashless. The growth of UPI can be understood from the following published reports.

As per National Payment Corporation of India report, the daily average transaction value by UPI was 466 USD which is about 66,590 crore rupees in July 2024. If it is compared with previous month June 2024, there 3.95 percent growth was recorded in the volume of transaction through UPI and at same time the value of transaction growth was recorded by 2.84 percent. During the period of first four months of the fiscal year 2024-25, the recorded transaction by UPI was 80.79 trillion USD across around 55.66 billion transactions.

The report published in The Hindu dated 3rd August 2024, says that during the financial year 2023-24, total transaction 131 billion were recorded by UPI which was 84 billion in previous year 2022-23. As per RBI's monthly bulletin report of last four years, the transactions of UPI have been seen a ten fold raise in volume. During the year 2019-20 the UPI transactions were 12.5 billion which was reached to 131 billion in 2023-24 and it accounts for 80 percent of the overall digital payments. A substantial growth of UPI transaction was recorded and it increase by 57 percent in 2024.

As per report published in Hindustan Times dated 29th July 2024, in the UPI segment, Google Pay and PhonePe dominated, the jointly holding market share of 86 percent, as per Boston Consulting Group (BCG), Banking Sector Round-up for the year 2023-24. According to report, a shift was noted in digital payments, during past three years the credit card transactions were doubling. During the sane period, the transactions through debit card were declined by 43 percent year-on-year. The report said on the basis of 2022 data, that today, India is accounts for about to 46 percent of the world's digital transactions. The economics times dated 28 August 2024, told on the basis of PwC India Report that total volume of the transactions on UPI is anticipated to increase up to 439 billion by 2028-29 from about 131 billion in the preceding financial year and is account for 91 percent of on the whole retail digital transactions.

As per 'The Indian Payments Handbook -2024-29' report, India's digital payments industry is probable to enlarge over three times in amount, from 159 billion transactions during the year 2023-24 to 481 billion by the year 2028-29.

Report also said that, the growth of market is projected to be double, from 265 lakh crore INR to 593 lakh crore INR over the period 2023-24 to 2028-29 in terms of value of payment transactions.

Benefits of Unified Payments Interface (UPI):

- UPI is safe because customers share only virtual address and they do not provide any dangerous information.
- In case of hacking of merchant's account, the UPI security can not be compromised as his database include virtual payment address (VPA) list only.
- In UPI transaction because only VPA is utilized, so it can be said that it provide better security that other methods of payment.
- UPI helps to reduce the black money from market and increase tax revenue to government and also increase compliance.

Challenges and Limitations of UPI:

Unified Payments Interface is one of the game-changer in the field of digital payments landscape in Indian, UPI providing a secure and convenient platform for fund transfer. Like other system of payment, UPI has also its challenges and limitations, which are as follows:

1. Security and Fraud Prevention: Although the UPI incorporates healthy security measures, but there is risk of deception and not permitted transactions are remains a concern. Cybercriminals may make use of vulnerabilities or uses social engineering to access sensitive information.

2. Transaction Limits: UPI also imposes the limits on transaction on amount per transaction and number of transactions per day. It is not good for business and individual customers if they want to transact more than the limits prescribed by Unified Payment Interface.

3. Awareness and Education: In India it is seen that the people are not more aware and understand about UPI payment hence it is remains a obstacle in the extensive adoption by such people who are not more familiar with electronic payment systems.

4. Grievance Redressal and Customer Support: UPI users may sometimes faces the issues related to transaction failed and amount debited from their account, incorrect debits, and also delays in refunds of money.

5. Few experts agonize that Unified Payment Interface (UPI) would not be capable to continue itself over the long period of time if not levying MDR to pay for the infrastructure of UPI. In present no one pay additional fee for it either they are customers or they are merchant.

6. Belife on cash transaction: It is also a challenge because in present days people believe more on the transaction in hard cash. Even few businessmen want to use hard cash transaction for tax evasion.

7. Infrastructure: Under developed infrastructure of internet and less internet penetration is also a challenge for UPI growth.

8. Digital literacy: It is also a challenge in the growth and adaption of UPI in India because lack of digital literacy in India, people is not able to use UPI system.

9. Language: It is also creating challenge in the growth of UPI in India because most of the people not understood English.

Conclusions:

Unified Payment Interface (UPI) is a powerful and simple tool in the digital payment system. With the increase in internet and smart phone users in India, it is adopted by people rapidly for making payment. It has found a tremendous growth from 2020. It also helps to boost the economic growth by preventing tax evasions and fraud. It also creates an environment to move economy towards cashless economy. As UPI growth is very tremendous and easy adoption, many other country trying to adopt such system of payment which make the bright future of Unified Payment Interface. It is also seen that with the growth of UPI transactions in India, the transaction by Debit Card reduces rapidly.

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